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June 21, 2006

Mr. Thomas Mumaw
Arizona Public Service
P.O. Box 53999
Phoenix, Arizona 85072-3999

Arizona Corporation Commission

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Re: Arizona Public Service Company General Rate Case (Docket No. E-01345A-05-0816)

Dear Mr. Mumaw:

On July 19, 2006, Energy Central referenced a new report published by Standard & Poor's, entitled *U.S. Public Power Utilities' Self-Governance Bolsters Credit Quality*. This report explains the advantages public power utilities have over investor-owned utilities in terms of weathering significant increases in natural gas prices and purchased power costs, as well as preserving credit ratings and financial margins.

I request that a copy of this report be docketed in the APS General Rate Case and, if available electronically, forwarded to me and my colleagues. I believe this report could provide invaluable insight to aid the Commission in evaluating the importance of improving the financial metrics for APS.

As you know, APS is tasked with funding an enormous CAPEX budget of **\$3.1 billion** over the next five years for generation, transmission and distribution projects. These improvements are presumed necessary to ensure the adequacy and reliability of electric service in addition to meeting estimated load growth of 4 percent per year. A portion of your company's CAPEX budget will be funded by the bond market. Your ratepayers stand to save money in long-term borrowing costs if your credit ratings hold or improve.

Based on the S&P report, please provide testimony on what measures the Commission could take in helping APS gradually improve its creditworthiness.

Thank you for your attention to this matter.

Sincerely,

Jeff Hatch-Miller
Chairman

CC: Commissioner William A. Mundell
Commissioner Marc Spitzer
Commissioner Mike Gleason
Commissioner Kristin Mayes
Parties to the Docket